

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended September 30, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

**BALANCE SHEETS**

AS OF SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 39,113	\$ 34,373 *
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2003, \$ 4,850 ; 2002, \$ 7,674 ). .... NOTE 2. ....	61,598	35,088 *
4	Inventories. ....	3,086	3,666 *
5	Prepaid expenses and other current assets. ....	5,223	5,875 *
6	Total current assets. ....	109,020	79,002
7	Investments, Advances, and Receivables. .... NOTES 1 and 3. ...	138,571	124,375 *
8	Property and Equipment - Gross. .... NOTES 1 and 4. ...	1,264,167	1,217,853 *
9	Less: Accumulated Depreciation/Amortization. .... NOTES 1 and 4. ...	(596,909)	(557,490) *
10	Property and Equipment - Net. ....	667,258	660,363
11	Other Assets. .... NOTE 5. ....	17,804	17,825 *
12	Total Assets. ....	\$ 932,653	\$ 881,565
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 3,312	\$ 6,146 *
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	63	59
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 6. ....	46,596	43,426 *
19	Other current liabilities. .... NOTE 7. ....	10,700	9,355 *
20	Total current liabilities. ....	60,671	58,986
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 8. ....	583,500	583,500 *
22	Other. .... NOTE 8. ....	1,538	1,679
23	Deferred Credits. ....	-	-
24	Other Liabilities. .... NOTE 9. ....	1,877	2,396 *
25	Commitments And Contingencies. .... NOTE 1. ....	-	-
26	Total Liabilities. ....	647,586	646,561
27	Stockholders', Partners', Or Proprietor's Equity. ....	285,067	235,004
28	Total Liabilities And Equity. ....	\$ 932,653	\$ 881,565

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 517,655	\$ 522,846 *
2	Rooms .....	38,105	39,855 *
3	Food and Beverage .....	72,968	71,263 *
4	Other .....	12,560	10,924 *
5	Total Revenue .....	641,288	644,888 *
6	Less: Promotional allowances .....	124,932	120,325 *
7	Net Revenue .....	516,356	524,563 *
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	305,834	305,261 *
9	Selling, General, and Administrative .....	60,080	60,429 *
10	Provision for Doubtful Accounts .....	313	1,806 *
11	Total costs and expenses .....	366,227	367,496 *
12	Gross Operating Profit .....	150,129	157,067 *
13	Depreciation and amortization ..... NOTE 1...	31,501	28,969 *
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10...	17,077	17,263 *
15	Other .....	---	---
16	Income (Loss) from Operations .....	101,551	110,835 *
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8...	(36,821)	(36,836) *
18	Interest (expense) - external .....	(193)	(199) *
19	Investment alternative tax and related income (expense) - net .....	(3,739)	(5,679) *
20	Non-operating income (expense) - net ..... NOTE 11...	10,478	8,124 *
21	Total other income (expenses) .....	(30,275)	(34,590) *
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	71,276	76,245 *
23	Provision (credit) for income taxes ..... NOTE 1...	26,089	28,385 *
24	Income (Loss) Before Extraordinary Items .....	45,187	47,860
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 45,187	\$ 47,860

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 181,601	\$ 186,226 *
2	Rooms .....	15,323	15,042 *
3	Food and Beverage .....	25,668	24,968 *
4	Other .....	4,906	3,879 *
5	Total Revenue .....	227,498	230,115 *
6	Less: Promotional allowances .....	45,003	42,348 *
7	Net Revenue .....	182,495	187,767 *
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	105,139	105,608 *
9	Selling, General, and Administrative .....	20,695	20,319 *
10	Provision for Doubtful Accounts .....	(599)	278 *
11	Total costs and expenses .....	125,235	126,205 *
12	Gross Operating Profit .....	57,260	61,562 *
13	Depreciation and amortization ..... NOTE 1...	10,887	9,753 *
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10...	6,015	5,974 *
15	Other .....	---	---
16	Income (Loss) from Operations .....	40,358	45,835 *
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8...	(12,352)	(12,358) *
18	Interest (expense) - external .....	(61)	(64) *
19	Investment alternative tax and related income (expense) - net .....	(1,279)	(2,157) *
20	Non-operating income (expense) - net ..... NOTE 11...	4,900	3,959 *
21	Total other income (expenses) .....	(8,792)	(10,620) *
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	31,566	35,215 *
23	Provision (credit) for income taxes ..... NOTE 1...	11,763	12,958 *
24	Income (Loss) Before Extraordinary Items .....	19,803	22,257 *
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 19,803	\$ 22,257

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.  
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## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2003

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid - In Capital (g)	----- ----- ----- (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2001	100	\$ 1			\$ 128,260		\$ 136,883	\$ 265,144
2	Net Income - 2002							52,736	52,736
3	Contribution to Paid - In Capital								
4	Dividends							(78,000)	(78,000)
5	Prior Period Adjustments								
6	Distribution to PPE								
7									
8									
9									
10	Balance, December 31, 2002	100	1			128,260		111,619	239,880
11	Net Income - 2003							45,187	45,187
12	Contribution to Paid - In Capital								
13	Dividends								
14	Prior Period Adjustments								
15									
16									
17									
18									
19	Balance, September 30, 2003	100	\$ 1			\$ 128,260		\$ 156,806	\$ 285,067

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CASH FLOWS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2003 (c)	2002 (d)
1	Net Cash Provided (Used) By Operating Activities .....	\$ 69,617	\$ 75,831
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities .....	---	---
3	Proceeds from the sale of short-term investment securities .....	---	---
4	Purchase outflows for property and equipment .....	(30,566)	(54,356) *
5	Proceeds from disposition of property and equipment .....	406	271 *
6	Purchase of casino reinvestment obligations .....	(6,847)	(6,805) *
7	Purchase of other investments and loans/advances made .....	(16)	---
8	Proceeds from disposal of investments and collection of advances and long-term receivables .....	660	2,042 *
9	Cash outflows to acquire business entities .....	(755)	---
10	.....	---	---
11	Net book values of disposals .....	---	---
12	Net Cash Provided (Used) By Investing Activities .....	(37,118)	(58,848)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt .....	---	---
14	Payments to settle short-term debt .....	---	---
15	Cash proceeds from issuance of long-term debt .....	---	---
16	Costs of issuing debt .....	---	---
17	Payments to settle long-term debt .....	(85)	(145)
18	Cash proceeds from issuing stock or capital contributions .....	---	---
19	Purchases of treasury stock .....	---	---
20	Payments of dividends or capital withdrawals .....	---	(78,000)
21	Change in payable to/receivable from affiliate .....	(32,482)	55,042 *
22	.....	---	---
23	Net Cash Provided (Used) By Financing Activities .....	(32,567)	(23,103) *
24	Net Increase (Decrease) In Cash And Cash Equivalents .....	(68)	(6,120) *
25	Cash And Cash Equivalents At Beginning Of Period .....	39,181	40,493 *
26	Cash And Cash Equivalents At End Of Period .....	\$ 39,113	\$ 34,373 *

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized) .....	\$ 37,014	\$ 37,035 *
28	Income taxes .....	\$ 26,089	28,385 *

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

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Valid comparisons cannot be made without using information contained in the notes.

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## STATEMENTS OF CASH FLOWS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2003 (c)	2002 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	\$ 45,187	\$ 47,860
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	31,501	28,969 *
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	(69)	(108) *
36	(Gain) loss on casino reinvestment obligations .....	3,739	5,679 *
37	(Gain) loss from other investment activities .....	(9,141)	(6,764) *
38	Net (increase) decrease in receivables and patrons' checks .....	179	(2,321) *
39	Net (increase) decrease in inventories .....	409	901 *
40	Net (increase) decrease in other current assets .....	(917)	(2,290) *
41	Net (increase) decrease in other assets .....	30	11 *
42	Net increase (decrease) in accounts payables .....	(7,316)	(2,986) *
43	Net increase (decrease) in other current liabilities excluding debt .....	6,605	6,982 *
44	Net increase in other noncurrent liabilities excluding debt .....	(590)	(102) *
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	Net Cash Provided (Used) By Operating Activities .....	\$ 69,617	\$ 75,831 *

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	\$ 30,566	\$ 54,356 *
49	Less: Capital lease obligations incurred .....	---	---
50	Cash Outflows For Property And Equipment .....	\$ 30,566	\$ 54,356
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	\$ 755	\$ ---
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	Cash Outflows To Acquire Business Entities .....	\$ 755	\$ ---
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	\$ ---	\$ ---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	Cash Proceeds From Issuing Stock Or Capital Contributions .....	\$ ---	\$ ---

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	576,440	\$ 23,208		\$
2	Food	2,370,527	30,187		
3	Beverage	8,288,980	16,578		
4	Travel			48,574	3,421
5	Bus Program Cash	1,054,193	15,462		
6	Other Cash Complimentaries	2,352,374	37,131		
7	Entertainment	85,000	425	7,950	994
8	Retail & Non-Cash Gifts	23,156	1,757	329,130	9,497
9	Parking				
10	Other *	6,129	184	271,415	2,502
11	Total	14,756,799	\$ 124,932	657,069	\$ 16,414

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	204,086	\$ 9,021		\$
2	Food	871,820	11,090		
3	Beverage	2,765,323	5,531		
4	Travel			16,664	1,188
5	Bus Program Cash	380,546	5,369		
6	Other Cash Complimentaries	768,266	12,731		
7	Entertainment	41,169	206	3,014	377
8	Retail & Non-Cash Gifts	10,269	976	156,211	3,426
9	Parking				
10	Other *	2,623	79	113,177	962
11	Total	5,044,102	\$ 45,003	289,066	\$ 5,953

\* No item in this category exceeds 5%.



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." On June 1, 2001, a subsidiary of the Company, Bally's Skyscraper, Inc ("BSI") purchased the assets and assumed certain liabilities of the Claridge at Park Place, Inc. ("CPPI") and Atlantic City Boardwalk Associates ("ACBA"), and commenced operation of the "Claridge Casino at Bally's." On September 23, 2002, the Company and BSI petitioned the Commission to allow a merger combining BSI with and into the Company. A hearing on the matter was held on December 11, 2002, and the petition was approved by the Commission. BSI was merged with and into the Company effective December 30, 2002. The financial statements for the prior year have been restated to give effect to the merger. BSI was previously accounted for as an investment in subsidiaries using the equity method.

The effect of the combination for the nine months ended September 30, 2002 of the Company and BSI are detailed in the following reconciliation:

Net Revenue reported September 30, 2002 – Bally's	\$410,851
Net Revenue reported September 30, 2002 – BSI	<u>113,712</u>
Net Revenue restated	<u>\$524,563</u>
Income from Operations reported September 30, 2002 – Bally's	\$104,014
Income from Operations reported September 30, 2002 – BSI	<u>6,821</u>
Income from Operations restated	<u>\$110,835</u>
Net Income reported September 30, 2002 – Bally's	\$ 47,860
Net Income reported September 30, 2002 – BSI	1,677
Elimination of Net Income of Unconsolidated Subsidiary	<u>(1,677)</u>
Net Income restated	<u>\$ 47,860</u>
Total Assets reported September 30, 2002 – Bally's	\$814,058
Total Assets reported September 30, 2002 – BSI	117,520
Elimination of Investment in BSI	(35,312)
Elimination of Intercompany Accounts	<u>(14,701)</u>
Total Assets restated	<u>\$881,565</u>
Total Liabilities reported September 30, 2002 – Bally's	\$579,054
Total Liabilities reported September 30, 2002 – BSI	82,208
Elimination of Intercompany Accounts	<u>(14,701)</u>
Total Liabilities restated	<u>\$646,561</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Total Equity reported September 30, 2002 – Bally's	\$235,004
Total Equity reported September 30, 2002 – BSI	35,312
Elimination of Investment in BSI	<u>(35,312)</u>
Total Equity restated	<u>\$235,004</u>

The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Reports for the year ended December 31, 2002.

All adjustments to the financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at September 30, 2003 and 2002, and its statements of income for the three and nine months ended September 30, 2003 and 2002 and its statements of cash flows for the nine months ended September 30, 2003 and 2002. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2003 and 2002 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Reclassifications**

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2003. The change in classifications had no effect on previously reported net income.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino. The adoption of the standards resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$18,100 and \$17,487, for the three months ended September 30, 2003 and 2002, respectively, and \$52,593 and \$50,583, for the nine months ended September 30, 2003 and 2002, respectively.

### **Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

### **Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$10,887 and \$9,753 for the three months ended September 30, 2003 and 2002, respectively, and \$31,501 and \$28,969 for the nine months ended September 30, 2003 and 2002, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

### **Long-lived assets**

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The Company was required to adopt SFAS 142 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
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In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment of Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

**Connection Card Program**

During the 2nd quarter 2003, the Company, along with its PPE Atlantic City affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any PPE casino in the United States. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at September 30, 2003 and 2002.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in two other subsidiaries, Atlantic City Country Club, Inc. and Bally's Land Ventures, Inc. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
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**(Unaudited)**  
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**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The Company does not believe this provision will have a material impact on the Company's financial results.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to it's corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE in accordance with the tax sharing agreement between PPE and the Company.

**Recent tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Casino receivables (net of allowance for doubtful accounts – \$4,710 in 2003 and \$7,584 in 2002)	\$ 6,372	\$ 6,362
Other (net of allowance for doubtful accounts – \$140 in 2003 and \$90 in 2002)	5,028	5,535
Due from PPE	44,186	16,275
Due from Caesars Atlantic City	3,385	3,091
Due from affiliates	<u>2,627</u>	<u>3,825</u>
	<u>\$ 61,598</u>	<u>\$ 35,088</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 15,031	\$ 15,989
Bally's Land Ventures Realty, Inc.	15,097	14,342
GNOC, Corp.	<u>70,959</u>	<u>59,889</u>
Total investment in subsidiaries	101,087	90,220
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves of \$17,415 in 2003 and \$15,368 in 2002)	35,864	31,921
Jacobs Family Terrace mortgage receivable (less reserve of \$250 in 2003 and 2002)	1,272	1,389
Long-term deposits	72	251
Long-term receivable from GNOC, Corp.	<u>276</u>	<u>594</u>
	<u>\$ 138,571</u>	<u>\$ 124,375</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Land	\$ 112,378	\$ 112,379
Buildings and improvements	853,193	802,353
Furniture, fixtures and equipment	293,875	263,095
Construction in progress	<u>4,721</u>	<u>40,026</u>
	1,264,167	1,217,853
Less accumulated depreciation and amortization	<u>(596,909)</u>	<u>(557,490)</u>
	<u>\$ 667,258</u>	<u>\$ 660,363</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5 - OTHER ASSETS**

Other assets as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Cost in excess of acquired assets, less accumulated amortization of \$260	\$ 17,581	\$ 17,581
Other	<u>223</u>	<u>244</u>
	<u>\$ 17,804</u>	<u>\$ 17,825</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Accrued payroll and benefits	\$ 27,624	\$ 24,842
Insurance claims	6,997	7,315
Other	<u>11,975</u>	<u>11,269</u>
	<u>\$ 46,596</u>	<u>\$ 43,426</u>

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Chip and token liability	\$ 2,430	\$ 2,917
Due to affiliates	3,120	3,479
Other	<u>5,150</u>	<u>2,959</u>
	<u>\$ 10,700</u>	<u>\$ 9,355</u>



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Long-term debt due to affiliates:		
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	\$ 33,500	\$ 33,500
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	50,000	50,000
8.5% Note payable to PPFC due January 1, 2009	<u>500,000</u>	<u>500,000</u>
	<u>\$583,500</u>	<u>\$ 583,500</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,538</u>	<u>\$ 1,679</u>

In January 1999, the Company executed a \$500,000 note payable to PPE with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, PPE assigned the \$500,000 note to PPFC. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to PPFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter, the proceeds of which were used in the purchase of assets and assumption of certain liabilities of CPPI and ACBA.

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Retirement and other employee benefit plans	\$ 1,271	\$ 1,430
Other	<u>606</u>	<u>966</u>
	<u>\$ 1,877</u>	<u>\$ 2,396</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 10 – CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

**NOTE 11 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended September 30 consist of the following:


	<u>2003</u>	<u>2002</u>
Interest income	\$ 182	\$ 230
Gain (loss) on sale of assets	(7)	11
Equity in income of unconsolidated subsidiaries	4,499	3,492
Other	<u>226</u>	<u>226</u>
	<u>\$ 4,900</u>	<u>\$ 3,959</u>

Nonoperating income (expense) for the nine months ended September 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 591	\$ 570
Gain on sale of assets	69	108
Equity in income of unconsolidated subsidiaries	9,141	6,764
Other	<u>677</u>	<u>682</u>
	<u>\$ 10,478</u>	<u>\$ 8,124</u>

# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature

Controller  
Title

#7091-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee